



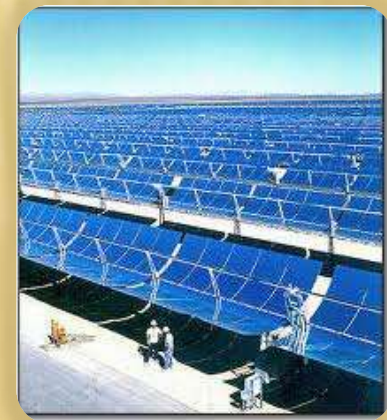
Secretariat of the Union for the Mediterranean
Secrétariat de l'Union pour la Méditerranée

Energy Division
Secteur Énergie



The MSP Process: Helping Create Sustainable Energy Markets in the Mediterranean Area

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MENAREC V. Conference
Marrakech, 15.05.12





MAIN REASONS OF MARKET FAILURES

- ✿ Suboptimal (non-Pareto-efficient) allocation of goods/services
- ✿ Positive/negative externalities (“free-riding”)
- ✿ Monopolistic/oligopolistic market position
- ✿ Information asymmetries, bounded rationality, value conflicts
- ✿ Principal-agent-problems, powerful vested interests
- ✿ Diff. time horizons, coordination problems
- ✿ Climate change: “greatest example of market failure” (N.Stern)



MAIN MARKET FAILURES IN MED ENERGY SECTOR

- ✿ Fossil prices not reflecting real costs: opportunity costs, cost of supply, availability of fuels, cost of alternatives, externalities
- ✿ Cost structure (front-loading) disfavoring REEE vis-à-vis FF, exacerbated by gen. high capital costs for regional investments
- ✿ Still under-developed pol.reg. frameworks in most SEMC, still vertically fragmented electricity systems prevailing in MED
- ✿ Economies of scale (incl. alternatives for export) still weak
- ✿ Weak awareness of tech./market opportunities, resistance from fossil lobbies, competition with more “urgent” concerns



THE MSP: A FLAGSHIP INITIATIVE OF THE UFM

- ✿ Key tool for developing and deploying renewable energy (RE) and energy efficiency (EE) technologies in UfM area
- ✿ Creating necessary requirements for accelerated emergence of dynamic and integrated REEE markets in UfM area, incl. for exchanging the end product across national borders
- ✿ Technologically neutral build up of 20 GW of extra production capacities from renewable energy sources by 2020
- ✿ UfMS coordinating process in close collaboration with all stakeholders; elaboration of Master Plan until end 2012



MAIN OBJECTIVES OF THE MSP PROCESS

- ❖ Defining the necessary framework conditions and support tools for a large-scale, cost-efficient, market-driven, regionally integrated roll-out of REEE technologies in UfM area
- ❖ Developing a “road map” that will identify the necessary steps to overcome the identified deployment barriers
- ❖ Providing a platform where representatives of member states and other stakeholders can meet and exchange
- ❖ Serving as an interface and a focal point for the various activities and initiatives at national and regional levels, while building on their achievements and recommendations



POLICY ROADMAP AND PILOT PROJECTS

- ✿ Main issues to be tackled by the Master Plan:
 - ✿ Policy, legal and regulatory frameworks
 - ✿ Transmission and storage infrastructure
 - ✿ Financial instruments and other support tools
 - ✿ Industrial development and employment promotion
 - ✿ Know-how transfer and capacity development
- ✿ Identify and support pilot projects and support actions, in close cooperation with MSP-PPI (Project Preparation Facility)



WORKING METHODS

- ✿ Stepwise, network-based, bottom-up approach:
- ✿ Joint Committee of National Experts of Member States
- ✿ Drafting Group for the Preparation of the Master Plan
- ✿ Technical Working Groups and Ad-hoc Seminars
- ✿ UfMS to act as a coordinator and facilitator of this process
- ✿ Involving all stakeholders at state and non-state level, building on existing networks of cooperation and communication
- ✿ Seeking synergies, avoiding overlaps, creating added value



MAIN RESULTS TO DATE 1

- ✿ Identification of first pilot projects to be branded by the UfM
- ✿ Participation in the creation of the first MSP instrument (PPI)
- ✿ Creation of a region-wide network of MSP focal points, of transparent and inclusive political steering mechanisms and of fully functioning and effective technical working platforms
- ✿ Elaboration of three policy papers together with the MS as a text basis for the respective chapters of the Master Plan
- ✿ Development of concrete policy proposals for new support tools (risk coverage, project bonds, coordination platform...)



MAIN RESULTS TO DATE 2

- ✿ Development of concrete proposals for policy and regulatory changes and upgrades (incl. for infrastructure)
- ✿ Contributing to a better understanding of the main barriers for the envisaged creation of region-wide REEE markets and a freer exchange of the end product across national frontiers
- ✿ Approximation of views among involved parties on objectives to be achieved, barriers to be overcome, measures to be adopted and activities to be implemented in the years ahead



SOME BASIC RECOMMENDATIONS

- ❖ Take a more comprehensive view at energy policy issues in the wider Mediterranean area
- ❖ Don't establish artificial and counter-productive barriers between renewable and conventional energies
- ❖ Don't not draw artificial and counter-productive boundaries between SEMC and GCC countries
- ❖ Consider more closely the nexus between the internal and external dimensions of energy and climate policies
- ❖ Involve civil society and private sector in elaboration and implementation of energy policies and roll-out plans



SOME FURTHER RECOMMENDATIONS

- ❖ Don't stop at project/plant level think in system/market terms
- ❖ Set ambitious, feasible, and credible policy targets
- ❖ Reduce uncertainty and complexity for investors
- ❖ Provide adjusted financial / technical support to REEE projects
- ❖ Use sustainable energies as key development policy tool
- ❖ Cluster local value chains around REEE technologies
- ❖ Provide concrete additional benefits to concerned local strata
- ❖ Grants and soft loans are needed to built the first reference plants, but not enough to built a competitive green industry



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THANK YOU FOR YOUR ATTENTION!